(in Mn. Sq. Mtrs.)

Year	Targets	Achievement
1993-94	7.50	7.86
1994-95	6.50	4.36
1995-96	5.00	0.42

(b) Yes, Sir.

(c) and (d). To encourage the handloom weavers to switch over to higher value added items, the Janata Cloth Scheme is being phased out. The question of increasing production of Janata Cloth in the State, therefore, does not arise.

Counter Guarantee to Power Projects

4528. SHRI T. GOPALKRISHNA: Will the Minister of FINANCE be pleased to state:

(a) whether the Govt. propose to incorporate several conditions on the Fast-Track power projects awaiting counter-guarantees;

(b) if so, the reason therefor;

(c) the conditions proposed to be incorporated; and

(d) the details of advantages expected therefrom?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d). Govt. of India counter-guarantees to the CCFI approved Fast-Track power projects are being processed under the conditions incorporated in the 'General Parameters for the issue of Counter-Guarantee by Government of India' issued on 14.12.94. A copy of the 'General Parameters' is enclosed as statement.

There is no proposal for incorporation of any additional conditions in the General Parameters mentioned above, at this stage.

STATEMENT

General parameters for the issue of Counter Guarantee by Government of India in respect of all private Sector Power Projects

A. Eligibility Criteria:

(1) The SEB has signed a Power Purchase Agreement (PPA) with the developer.

(2) The SEB has agreed to open an irrevocable revolving Letter of Credit for its payment liabilities of one month to the private power company; and to maintain an Escrow account to which revenues equivalent to one month's billing of the private power company will be credited.

(3) The SEB has signed and is in the process of successfully implementing the Operational and Financial Action/(DFAP) loan with the Power Finance Corporation.

(4) The State Government has agreed to issue a guarantee for discharging the liabilities of the SEB under the PPA.

(5) The management of SEB and the State finances is prudent, in the opinion of Government of India, Ministry of Finance. Among other parameters this would include achievement of minimum Rate of Return (ROR) of 3% fixed assets for the proceeding financial year.

(6) The State Government undertakes to accept the stipulations laid down in the following paragraphs, particularly those relating to performance parameters.

B. Power Purchase Agreement:

After a careful review, GOI should be broadly satisfied that the PPA meets such criteria as may be laid down by GOI. Since PPAs are very crucial to the successful operation of private power projects, State Governments should take steps so that these are negotiated with the assistance of professional experts who have relevant experience. In addition the Ministry of Power, must first certify.

(1) the essentiality of the project, and its consistency with grid management.

(2) whether the cost per MW of generating capacity is reasonable in the light of costs of other projects in the power sector, and

(3) the tariff and other parameters have been fixed as per approved GOI guidelines, and deviations, if any, are fully justified.

(4) the PPA must clearly indicate the cost per unit (at different levels of PLF) which should be adjustable only to the extent of Known variations in these cost elements which are agreed to as a pass through on to the tariff on an automatic basis. No counter guarantee can be given until costs are fixed in this manner.

C. Terms and conditions:

Projects approved by CCFI may be considered for the following guarantees:

1. Scope:

(a) The guarantee will cover payments on account of capacity and energy charges only.

(b) In the event of termination of the PPA, the guarantee will additionally cover a part of the outstanding foreign debt borrowed by the private power company for the construction of the plant (to be referred to as debt to be guaranteed by GOI shall be restricted to an amount equivalent to the foreign equity. The remaining debt would not be guaranteed. Such debt could either be raised from Indian Financial Institutions or raised from Foreign sources with appropriate guarantee by Indian Financial Institutions. Termination payment, as and when made shall be accompanied by creation of an appropriate charge on the power station.

2. Financial Limitation:

(a) The maximum annual liability of GOI will be fixed at a predetermined level, based on likely capacity and energy payments with and annual escalation not exceeding 5%. This would constitute the Guarantee limit.

(b) Additionally, the impact of changes in tax or GOI mandated devaluation of the Rupee will lead to an enhancement of the guarantee limit on an actual pass through basis.

(c) The guarantee shall be denominated in Rupees.

(d) GOI's total exposure in respect of each State shall not exceed the sum total of central plan assistance and share of central taxes transferred to that State in the preceding financial year.

3. Second Guarantee:

More than one guarantee may be considered for a State subject to GOI's total exposure for the respective State not exceeding the sum total of central plan assistance and the State's share of central taxes in the preceding taxes in the preceding year.

4. Duration of the Guarantee:

The duration of the guarantee shall be limited to a period of 10 years from the date of entry into commercial service. For termination payments relating to foreign project construction debts, however, a maximum period of 15 years may be considered, depending upon the term of such loans.

5. Minimum Equity Holding:

(a) Till twelve months elapse after commencement of commercial operation, the promoter share holders will be required to hold at least 50% of the issued share capital. Thereafter, until the guarantee remains in force, their holding should not fall below 33.33%.

(b) Any transfer of foreign denominated equity to rupee denominated equity would require prior GOI approval.

6. Guarantee Fees:

(a) The State Government will pay a nominal guarantee fee of Re.1. (In place of the normal guarantee fee of 1.2% of the guarantee limit charged by GOI).

(b) Failure to satisfy the performance parameters detailed in para "7" below will lead to levy of additional guarantee fees as stated therein.

7. Performance Parameters:

In terms of adherence to the DFAP, and as the SEB's financial health is a critical variable in GOI's risk assessment, the following minimum performance parameters shall be adopted.

(a) a minimum rate of return (ROR) of 3% on the value of its fixed assets. For fall of ROR below 3%, the guarantee fee shall increase by 0.5% of the total guarantee limit, irrespective of the extent of default.

(b) the SEB's average receivables in each financial year shall not exceed the equivalent of 3 months of sales (4 months till 31.3.98). For any increase in the receivables above the specified levels, the guarantee fee will increase by 0.25% of the total guarantee limit, irrespective of the extent of default.

(c) the SEB's average payables in each financial year shall not exceed the equivalent of 3 months (4 months till 31.3.1998) of purchases of fuel and consumables for its Power Station and other works. For any increase above the specified level, the guarantee fee will increase by 0.25% of the total guarantee limit, irrespective of the extent of default.

(d) levy of a minimum agricultural tariff, as agreed from time to time in the NDC or any other National or Regional fora.

8. Invocation of the Guarantee:

If and when a SEB and the State Government default in payment of dues to the Power Company, the following consequences shall follow.

(a) Any amount paid by GOI on behalf of the State Government, in terms of its counter guarantee shall be debited to the State's account with the Reserve Bank of India. Till the entire GOI credit is recovered, RBI shall not make any other payments on behalf of the State Government.

(b) In addition, the State Government agrees that any amount due to the GOI under the counter guarantee, may be adjusted against the central plan assistance, the State's share in central taxes, other central loans and grants.

(c) The amount paid by GOI shall be recovered from the State Government together with simple interest equal to the Bank Rate (as per RBI Act, 1934) plus 2.5% per annum.

(d) When any payment is made by GOI, it shall have the right to direct the private power company forthwith, as to where and to whom the energy from the power station should be supplied, until the amount has been fully recovered by GOI.

(e) On payment of termination charges, GOI shall have a pari passu charge with other lenders.

9. Other Conditions:

(a) GOI will also have the right to adjust the overdues outstanding from the SEB and payable to NTPC, NHPC and Powergrid in the same manner as elaborated at 8(i) and (ii) above.

(b) The Agreements and Guarantees shall be governed by Indian law. However, suitable exceptions could be made to address legitimate concerns of foreign lenders.

(c) Breach of this Agreement may attract penal guarantee fee of upto 3% per annum.

World Bank Report on Indian Economy

4529. DR. M.P. JAISWAL: Will the Minister of FINANCE be pleased to state:

(a) whether the draft World Bank Report on the State of Indian economy has warned that projected seven percent growth in Gross Domestic Product might not be sustained;

(b) if so, the details thereof; and

(c) the steps taken by the Government attain this target?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b). The World Bank's Country Economic Memorandum 1996 pointed out that the stabilization and reforms measures over the last five years have considerably improved India's growth prospects and may have created the pre-conditions for India's Gross Domestic Product to grow at a stable 6-7 percent per year. The World Bank has also pointed out, however, that a challenging agenda of structural reforms such as reducing fiscal deficit, accelerated human resource development, reform of agricultural policies, priority action for improving urban services and improvements in the infrastructure sectors need to be addressed to sustain the current growth rates.

(c) The Government's economic policies including the policy measures announced in the 1996-97 budget are aimed at ensuring sustained high growth rates of India's Gross Domestic Product.

[Translation]

Recycling of Clothes

4530. SHRI O.P. JINDAL: Will the Minister of TEXTILES be pleased to state:

(a) Whether some organisations are earning crores of rupees in illegal trade by importing rags in the name of providing free clothes to the poors;

(b) if so, the names of the organisations involved therein; and

(c) the action proposed to be taken by the Government against these organisations?

THE MINISTER OF TEXTILES (SHRI R.L. JALAPPA): (a) No such instance has come to the notice of the Government.

(b) and (c). Do not arise.

[English]

Marketing Through 'ACASH'

4531. SHRI SANTOSH KUMAR GANGWAR : Will the Minister of TEXTILES be pleased to state :

(a) the percentage of commission charged by Association of Corporations and Apex Societies of Handlooms, New Delhi (ACASH) and its State handloom agencies from handlooms units registered with State handloom agencies;

(b) the list of societies registered with ACASH and the items exclusively reserved for purchase by the Union Government from ACASH;

(c) the number of contracts performed by ACASH during the last three years till date indicating items supplied in quantity, value of contract and supplied and unsupplied quantity; and

(d) the number of weavers benefitted by the Government's purchase policy through this organisation?

THE MINISTER OF TEXTILES (SHRI R.L. JALAPPA) : (a) Association of Corporations and Apex Societies of Handlooms (ACASH) charges 5% of the value of goods supplied by its notified agencies as administrative charges. ACASH or Central Government have not specified any guidelines about the commission or administrative charges and the State handloom agencies decide the commission to be charged from its registered handloom units.

(b) A list of members of ACASH and the items notified for